

HOUSING FINANCE

Housing finance brings together complex & multi-sector issues that are driven by constantly changing local features, such as a country's legal environment or culture, economic makeup, regulatory environment, our political system. The drive of a housing finance system is to offer the funds which home-based purchasers require to acquire their homes. This is a simple objective, & the number of ways in which it can be achieved is limited. However, this basic ease, in a number of countries, mainly as a result of government action, very complex housing finance systems have been developed. However, the vital feature of any system, that is, the ability to channel the funds of investors to those purchasing their homes, must remain.

The Housing Finance Company is an additional form of **Non-Banking Financial Company** (NBFC) which is involved in the principal business of financing of acquisition or construction of houses that comprises the development of plots of lands for the construction of new houses.

Some of the general problems of Housing Finance Sector are as under:

- **Government Policies for Housing Finance Sector**

In the present circumstance, the Government of India is trying to play the role of facilitator by offering a number of housing schemes for different sections of the society, but due to poor administrative control & lack of strong will-power most of the schemes are squeezed only up to the primary levels & are never attained its ultimate objectives.

- **Role of Housing Finance Regulatory Authority**

The word Regulation refers to the specific constraints in the natural growth of a sector & the Regulatory Body is considered as a group of people who always indulge in search of the ways which could create checks & balances to hinder the unplanned & improper growth of the related area.

- **Development of Fundamental Infrastructure for Housing & Technological Innovations**

Housing is primarily an urban phenomenon. It needs some basic infrastructural facilities like roads development, electricity & water supply, proper drainage system, etc. to grow. Most of these facilities depend upon Government efforts & interest. However, the technical inventions in the part of housing construction also support & promote the housing market in the country through the cut down the cost of construction up to a reasonable level.

- **Distribution of National Capital among Population**

The distribution of national capital among the population of the country affects the housing finance sector directly. If the capital of the nation is distributed among the population in a rational manner, the most of the population of the country will be in a position to dream for their own houses & the chances of growth of the housing finance sector of the country will remain higher.

- **Non-Availability of Funds**

Financing in any area depends on the availability of funds for the purpose. Housing finance is a long-term investment, which requires plenty of funds. One of the main problems of the housing finance sector of India is non-availability of long-term capital for investment. Conventionally, the funds for the housing sector have originated from the individuals themselves by way of their own savings or from the financial institutions that are primarily engaged in the intermediation process of channelizing funds from the savers to the borrowers. But, the funds so organized through the formal sector financial institutions remain much lower than what is required to tackle the problems of housing finance in India

- **Higher Cost of Acquisition of Land**

It needs not to be mentioned that in the present time the supply of l& is perfectly inelastic for a country. The availability of l& in adequate quantity at the right place & at an affordable price by the individual is more important for the housing finance sector. The inelastic supply of suitable l& results in a spurious increase in the cost of real estate. Besides, the very high stamp duty payable at the time of purchase of property also causes an increase in the cost of

l& significantly. It gets priced out many potential housing finance customers in owning a house.

- **Static Culture of the Society**

Among Indian society, housing is a lifetime dream of an individual & a newly employed person cannot even imagine for his own house due to his social & cultural backgrounds. Although this attitude of society is changing from the last decade due to the development of nuclear families tax rebate on housing loans. Secondly, the debt is considered as an evil in Indian society & the concept of 'Deficit Financing' is not appreciated by the masses. This type of thinking discourages a person to avail the facility of housing finance & ultimately hurts the housing finance market of the country remarkably. Although this concept is now changing, which is evident from the fact that the average age of borrower is around 40 years. The joint family culture of Indian society also legs the housing finance market to some extent.

GROWTH FACTORS

Budgetary Support: Tax benefits, a low interest rate regime and high salary levels among certain sections are chiefly responsible for fuelling fast growth in the housing financial services sector. Tax benefits for housing finance contribute to housing development. For this purpose, RBI maintains a soft interest arte regime. The bank rate of interest is constantly being slashed so that it acts as a stimulant for housing demand.

Similarly, a sharp increase in size of pay packets has played an important role in making a house affordable. Regardless of salary levels, if the cost of a house comes down, it would pep up the demand for housing finance. There is reason to believe that we are witnessing a gradual movement towards loosening the restrictions that increase the cost of a house.

New Dynamics: An important development in the housing finance business has been the entry of new players. The relatively low risk in a housing portfolio has spurred new entrants in the last few years. Arguably the most significant entrant has been ICICI Home Finance. Among non-banking finance companies, Sundaram Finance and Tata Finance have launched

housing finance subsidiaries in the recent past, while banks shown increased interest in acquiring housing assets.

The entry of new players and the consequent increase in competition has been followed by an interesting trend. The interest rates of most housing finance companies (HFC) move in unison, thereby suggesting that interest rate is not likely to be a competitive tool. The high level of competition has made it impossible for an HFC, with branches across the country, to charge an interest rate higher than the competition. Commercial banks are an exception to the rule, in the sense that they always charge lower than the competition.

Top Housing Finance Companies in India



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You can avail a home loan from banks or a non-banking finance companies (NBFCs). Housing Finance Companies (HFCs) are a part of NBFCs. You can choose between a bank or an HFC by comparing tenure, interest rate, and processing fees offered by them. Let's take a look at some of the top housing finance companies in the country.

FINANCIAL INSTITUTIONS IN INDIA

1. HDFC Housing Finance

HDFC Housing Finance offers different types of home loan products such as plot loan, rural housing loan, home improvement loan, and home extension loan among others. The interest rates for home loan starts from 8.55%. The home loan schemes are available for salaries and self-employed resident Indians in the range of 18-65 years.

2. LIC Housing Finance Limited

LIC Housing Finance offers home loans at attractive interest rates for Indian residents, Non-Resident Indians (NRIs), and pensioners. You can avail loan for purchase, construction, extension, house repair, plot purchase, and top up loan. LIC Housing Finance offers benefits such as flexible repayment periods, quick loan processing, zero processing fee, zero pre-closure charges, and no partial pre-payment charges.

3. Indiabulls Housing Finance Limited

Indiabulls Housing offers instant home loan approvals at competitive interest rates for a tenure of up to 30 years. It offers benefits such as zero pre-payment charges, flexible tenure options, and zero pre-closure, among others. The interest rate ranges from 8.80% to 12.00% p.a. The processing fee is 0.50% to 1% of the loan amount.

4. L&T Housing Finance Limited

L&T Housing Finance offers home loan at attractive interest rates for construction, house improvement, and house extension. The loan repayment tenure is up to 20 years and the amount ranges from Rs.3 lakh to Rs.10 crore. You can avail home loans up to 90% the property value. L&T Housing Finance offers benefits such as quick and transparent loan processing, instant online loan approval, attractive interest rates, minimal documentation, multiple repayment options, and zero pre-payment charges.

5. PNB Housing Finance Limited

PNB Housing Finance offers home loan at competitive interest rate for resident Indians as well as non-resident Indians. It offers home loans under different schemes that are aimed at government employees, general public, and others.

6. IIFL Housing Finance Limited

IIFL Housing Finance Limited offers home loans with attractive interest rates that start at 8.45% p.a. onwards. The maximum repayment tenure is 20 years. Any Indian citizen between the age of 18 and 75, both self-employed and salaried, as well as Non-Resident Indians

(NRIs) are eligible for the home loan. The company provides a wide range of home loan products such as balance transfer, home improvement, etc. There is also a special loan product, Swaraj Home Loan, for those individuals without formal income documents.

7. GIC Housing Finance Limited

GIC Housing Finance Limited provides home loans that range from individual housing loans and composite loans to balance transfer, home extension, and renovation/repair loans. Interest rates start at 8.50% p.a. There is free accidental death insurance and free property insurance provided along with the home loan. Loan application and approval can be done online with minimal documentation.

8. Sundaram Home Finance

Sundaram Home Finance offers home loan products with attractive interest rates for both salaried and self-employed individuals who are between the age of 18 to 65 and are Indian citizens. There are attractive interest rates for women applicants. The home loan products that are offered include plot loans, home improvement loans, home extension loans, top-up loans, takeover loans, and loan against property.

9. Tata Capital Housing Finance Limited

Tata Capital Housing Finance Limited offers home loans starting at 6.90% p.a. Eligible individuals are those who are salaried or self-employed, with a CIBIL score of above 750, and between the age of 24 and 65 (at the time of loan completion). NRIs are also eligible for the home loan. The maximum home loan amount is Rs.5 crore with a maximum repayment tenure of 30 years. Up to 80% of the property value can be availed as the home loan. The company also offers flexible repayment options such as a standard EMI plan (for those whose income will remain constant throughout) and a step-up flexi EMI plan (for those whose income is expected to increase at regular or frequent intervals).

10. Aavas Financiers Limited

Aavas Financiers Limited offers home loans that start at Rs.1 lakh with the maximum home loan amount depending on your income and credit history. The repayment tenure is 20 years for the self-employed, 25 years for the salaried, and 30 years for government/private sector/PSU employees (who have a minimum salary of Rs.35,000 per month). The home loan products that are offered include loans for home purchase, land purchase, home construction, home improvement, home loan balance transfer, and loan against property. The loans can also be used to buy resale properties from recognised authorities or builders.

11. Can Fin Homes Limited

Can Fin's home loans have attractive interest rates that start at 6.95% p.a. Loans are provided with a margin of up to 25%. The maximum repayment period is 30 years. Home loan borrowers who are diligent with paying their EMIs can also avail top-up home loans and personal loans from Can Fin. There are also Affordable Housing Loans for the urban and rural sector. Composite loans are also provided to purchase a plot of land and construct a house on it.

12. Repco Home Finance

Repco Home Finance provides home loans with interest rates that start at 7.75% p.a. Professionals, salaried, and business class individuals are eligible for these loans. NRIs are also eligible for these loans. There are also specially customised home loans schemes for salaried individuals who are above the age of 50 which are structured to align with their pension income. The maximum repayment period for this loan scheme, called the 50 Plus, is 15 years with the loan to be repaid by the age of 70. Up to 85% of the property cost can be availed for home construction and up to 80% of the property cost for the purchase of a flat or house. The maximum repayment tenure is 20 years. Home makeover loans and plot loans are also available.

13. Akme Star Housing Finance Limited

Akme Star Housing Finance Limited provides resale/new purchase home loans, construction loans, composite loans, home improvement loans, home extension loans, and balance transfer

home loans. For the new purchase and resale home loans, the rate of interest starts at 6.50% with a maximum repayment tenure of 20 years. The maximum quantum of loan that can be availed is Rs.25 lakh. The Pradhan Mantri Awas Yojana (PMAY) Credit Linked Subsidy Scheme (CLSS) is also available for those who are eligible according to their income level.

14.Sahara Housing Finance

Sahara Housing Finance provides home loan schemes self-employed professional and self-employed non-professionals along with other individuals. The minimum age for eligibility is 21 and the maximum age is 65. There is a maximum repayment tenure of 20 years with a maximum loan amount of Rs.1 crore. Loans are provided for up to 80% of the cost of the property. These home loans can be used to buy ready-to-occupy or under-construction property, for properties that are being self-constructed, or for the repairs/renovation/extension of an existing residential unit. A discount of 0.5% on the general interest rate is offered to individuals who are physically challenged.

15.India Home Loan Limited

IHLL provides home loans in the affordable housing segment that can be used for the construction, purchase, renovation, or extension of a house. Home loan amounts can range from Rs.1 lakh to Rs.20 lakh, not exceeding 80% of the cost of the property cost. This home loan is geared towards those who do not have formal income proof, who belong to the economically weaker sections, and who are self-employed. Loan amounts can be increased by adding a co-applicant who is also earning. The repayment tenure is up to the age of 60 or retirement age, whichever is earlier (for self-employed individuals it is 65 years of age).

16.Cholamandalam Housing Finance

Cholamandalam Housing Finance provides home loans that can be used for purchase of plots, to construct a house, or to buy a ready-to-occupy house. Balance transfer home loans are also available. There are convenient repayment options and attractive interest rates.

17.Dewan Housing Finance Limited (DHFL)

DHFL provides home loans that can be used to buy a new house/flat, construct a new house, to renovate or extend an existing house, or to buy a plot of land for the purpose of home construction. Both salaried and self-employed individuals are eligible for home loans from DHFL. Eligibility and quantum of loan can be increased by adding a co-applicant who also has a regular source of income.